

Message Text

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46

ACTION NEA-10

INFO OCT-01 EUR-08 ISO-00 EB-04 AID-05 CIAE-00 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 INT-05 FEAE-00 /051 W

----- 090599

R 231255Z OCT 74

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

SECSTATE WASHDC 1283

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

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BEIRUT PASS BAGHDAD

EO 11652: NA

TAGS: BMEP BTIO ECRE ELAB ENRG ECIN KU

SUBJ: REJECTION KUWAIT STEEL MILL PORTENDS FUTURE KUWAITI

VIEWS RE INDUSTRIALIZATION

REF: A) STATE A-7220; B) KUWAIT 4404; C) KUWAIT 3874;

D) KUWAIT 3292; E) KUWAIT 2296

1. EMBASSY HAS CONFIRMED WITH KNOWLEDGEABLE SOURCE ARTICLES
APPEARING IN OCT 22 "KUWAIT TIMES" AND "DAILY NEWS" CLAIMING
THAT COUNCIL OF MINISTERS REJECTED STEEL MILL PROJECT AND WOULD
PAY COMPENSATION TO PRIVATE INVESTORS WHO HAVE ALREADY PUT
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SUBSTANTIAL TIME AND MONEY INTO PROJECT (SEE REFTELS). HOWEVER,

COUNCIL LEFT DOOR AJAR TO EVENTUAL KUWAITI PARTICIPATION IN A REGIONAL PROJECT AMONG ARAB STATES BORDERING GULF OR IN ANOTHER ARAB STATE HAVING A BETTER ENVIRONMENT (I.E. IRON ORE AND MANPOWER) FOR SUCH A PROJECT. IT NOT CLEAR WHETHER GOVERNMENT SERIOUS ABOUT A REGIONAL PROJECT OR MERELY TRYING TO SOFTEN THE EFFECTS OF ITS DECISION ON A POWERFUL GROUP KUWAITI MERCHANTS BACKING PROJECT, WHO WILL STILL TRY TO PURSUE MATTER, ALTHOUGH CHANCES FOR SUCCESS SLIM.

2. COMMERCE SHOULD NOTIFY ALL US FIRMS WHICH HAVE TAKEN AN INTEREST IN THIS PROJECT OF COUNCIL'S DECISION, PARTICULARLY US STEEL ENGINEERS ROBERT SABA AND PRESIDENT DUDDERAR WHO INTEND VISIT HERE IN MID-NOVEMBER.

3. COMMENT: DECISION TO FOREGO ESTABLISHMENT STEEL MILL IN KUWAIT AN EXTREMELY IMPORTANT ONE WHICH OFFERS STRONG INDICATIONS OF ATTITUDES KUWAITIS LIKELY TO TAKE TOWARDS LOCAL INDUSTRIALIZATION IN NEAR-TERM. CROWN PRINCE HAD PREVIOUS OPPORTUNITY IN CAPACITY AS CHAIRMAN OF PLANNING BOARD TO REJECT PROJECT LAST JUNE (SEE REF E) WHEN NUMBER OF PLANNING BOARD STAFF MEMBERS VOICED STRONG OFFICIAL OPPOSITION TO PROJECT. HOWEVER, FROM ALL APPEARANCES PRESSURE CAME FROM PLANNING BOARD DIRECTORS TO REVERSE PLANNING BOARD STAFF POSITION AND RECOMMENDATION WAS INSTEAD MADE TO COUNCIL THAT PROJECT BE ALLOWED TO PROCEED. WE HAVE INFORMATION THAT MINISTER OF DEFENSE AND INTERIOR SHAIKH SAAD ABDULLA WAS ULTIMATELY MOST IMPORTANT FORCE IN PERSUADING CROWN PRINCE AND COUNCIL TO REJECT PROJECT. SHAIKH SAAD BELIEVED OFFICIAL ESTIMATES OF 1000 WORKERS FOR PLANT WAS TOO LOW AND TENDED TO BELIEVE FINAL FIGURE MIGHT BALLOON TO AS HIGH AS 5000 ALMOST ALL OF WHOM WOULD HAVE TO BE EXPATRIATES.

4. AT SAME MINISTERIAL MEETING IT DECIDED TO ESTABLISH COMMITTEE TO DRAW UP SOME GUIDELINES REGARDING KEY FACTORS TO BE CONSIDERED IN ESTABLISHING ANY FUTURE MAJOR INDUSTRIAL PROJECTS. IT NOW APPEARS FOR TIME BEING THAT KUWAIT WILL PERMIT ONLY HEAVY INDUSTRIES WHICH UTILIZE PETROLEUM OR GAS AS MAJOR RAW MATERIAL SOURCE OR PROJECTS CLOSELY RELATED TO THESE INDUSTRIES SUCH AS EXPANDING PETROLEUM TANKERS FLEET. LIGHT INDUSTRIES THAT ARE NOT LABOR INTENSIVE OR MAJOR SOURCES OF POLLUTION LIMITED OFFICIAL USE

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WILL ALSO BE PERMITTED, BUT IT QUESTIONABLE IF PROJECTS LIKE ALUMINUM SMELTING OR OTHER ENERGY INTENSIVE, NON-PETROLEUM BASED PROJECTS WILL BE PERMITTED UNLESS PROJECT INVESTORS ARE TOO POWERFUL TO REFUSE.

5. SEPTTEL ON OTHER INDUSTRIAL DEVELOPMENTS SUPPORTING THIS VIEW WILL FOLLOW.
STOLTZFUS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENTS, STEEL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUWAIT04554
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740302-0672
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741024/aaaaatww.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) STATE A-7220; B) KUWAIT 4404; C), KUWAIT 3874;
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by martinml>; APPROVED <11 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REJECTION KUWAIT STEEL MILL PORTENDS FUTURE KUWAITI VIEWS RE INDUSTRIALIZATION
TAGS: ECRE, ENRG, EMIN, KU
To: COM STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005